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FRP:

STAFF

OUTGOING
MESSAGE

PAGE 001

TOT: 23 NOV 85

DIRECTOR

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BRIEF 23 DIRECTOR
TO: PRIORITY LATIN AMERICA BRIEF.

OUTGOING
MESSAGE

SUBJECT: LATIN AMERICA BRIEF FOR 23 NOVEMBER 1985.

FROM: DDI/O/CPAS.

CONTENTS

1. CHILE: PINOCHET'S ECONOMIC PROBLEMS
2. IN BRIEF

CHILE: PINOCHET'S ECONOMIC PROBLEMS

//THE GOVERNMENT IS WORRIED THAT CURRENT ECONOMIC POLICIES AND PROJECTED GROWTH OF LESS THAN 2 PERCENT THIS YEAR WILL AGGRAVATE UNREST AND FURTHER WEAKEN PRESIDENT PINOCHET POLITICALLY. CHILE'S ECONOMIC PERFORMANCE HAS BEEN HURT BY PROLONGED DELAYS IN NEGOTIATING A DEBT PACKAGE. SOME SENIOR MILITARY AND POLITICAL ADVISERS ARE URGING HIM TO STIMULATE THE ECONOMY, AND HE HAS RESPONDED WITH A WAGE HIKE AND HAS INCREASED PROTECTION FOR DOMESTIC INDUSTRY. PINOCHET MAY REPLACE HIS ECONOMIC TEAM NEXT YEAR//.

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Declassified and
Approved for Release
July 2000

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COMMENT: //THE DELAYS IN DISBURSEMENTS OF FUNDS FROM CHILE'S RECENTLY CONCLUDED DEBT PACKAGE COULD REDUCE GROWTH EVEN MORE AND SHRINK REAL WAGES FOR THE FOURTH YEAR IN A ROW. THIS SLUMP, COUPLED WITH CONTINUING POLITICAL PROTESTS AND UNEASINESS WITHIN THE ARMED FORCES, MIGHT PERSUADE PINOCHET TO CHANGE HIS ECONOMIC TEAM SOONER AND REVERT TO EXPANSIONARY POLICIES. SUCH ACTIONS, HOWEVER, WOULD RISK ALIENATING FOREIGN CREDITORS AND RAISE THE DANGER OF A FOREIGN EXCHANGE CRISIS//. (C NF)

2. IN BRIEF

AMERICAS

--//ANTIREGIME DEMONSTRATION IN CHILE THURSDAY ATTRACTED ABOUT 500,000 . . . LARGEST EVER, BUT VIOLENCE MINIMAL . . .
OUTCOME STRENGTHENS EFFORTS OF MODERATE OPPOSITION TO INDUCE GOVERNMENT TO NEGOTIATE TRANSITION TO CIVILIAN RULE//. (C NF)

DECL OADR DRV LIA 11-85

END OF MESSAGE

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